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Heated tone of Congressmen's statements and discontinuity of discussion during Clay hearing April 10 before House Foreign Affairs Committee could explain mistaken reporting on Clay testimony regarding Indonesia. If disturbing stories appear in Indonesian press you authorized show to appropriate persons following transcript of what actually said in exchanges between Congressmen Hays and Broomfield, and Clay. Times, Post, and Herald Tribune reports on hearings make no mention Indonesia.

BEGIN VERBATIM

Mr. Hays. I know that we are under some inhibitions about discussing this country by country in this session but your report did mention Indonesia. This has been one of my pet peeves for a long time. I have pointed out before in these hearings and I will say it again at the risk of being repetitious, that you have Indonesia, which is one of the most naturally rich countries in the world, I am speaking of natural resources, which is practically bankrupt due, I believe, to inadequate management on the part of the rulers of the country and a downright "don't care" attitude on their part, contrasted with Malaya which will soon be — which has much less natural resources but which has been able

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State Department review

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to provide in much less time more opportunity for its people. You have mentioned in your report that unless Indonesia puts its house in order ^{it} ~~and~~ ought to be cut off. I take it you mean at the end of our present commitments?

General Clay. Yes, sir. We looked at Indonesia very carefully. It is a nation of tremendous resources. It is a large nation. In its geographic position we would like very much to see it a strong and independent nation. On the other hand it is heavily in debt, a large part of the debt is to the Soviet Government, about half of it is on hard terms and is due for repayment now. For us to go in with loans in such a period just doesn't seem to us to make very much sense. We do believe that the training program in which we are involved in Indonesia particularly with the military and the so-called civic type of military program in which we are providing some engineering equipment so that their troops can do constructive work should be continued, that they have made friends for us among the officers of the Indonesian army and among other people in Indonesia. But until Indonesia has been able to work out a reasonable repayment of its loan to Russia, until we can be assured that it is going to place its financial house in order, we do not believe that we should go into extensive economic aid to Indonesia and we have so stated.

Mr. Broomfield. Do you personally feel that in some of these areas that you are obviously critical of in your report, and I was pleased to read the comment on Indonesia, and I join with Congressman Hays in feeling the very same way, that we ought to cut off immediately our aid to that country, do you feel that there are areas

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that we have been supporting that in view of their past experience it might be better to eliminate as soon as possible because of our commitments, and if Russia, the Communist nations are so anxious to take over, let them do it and back away from some of these areas?

General Clay. I wouldn't like to say that by areas. I would be very happy at an executive session to talk about that country by country, yes, sir. END VERBATIM.

SCP - EXEMPT.

End.

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